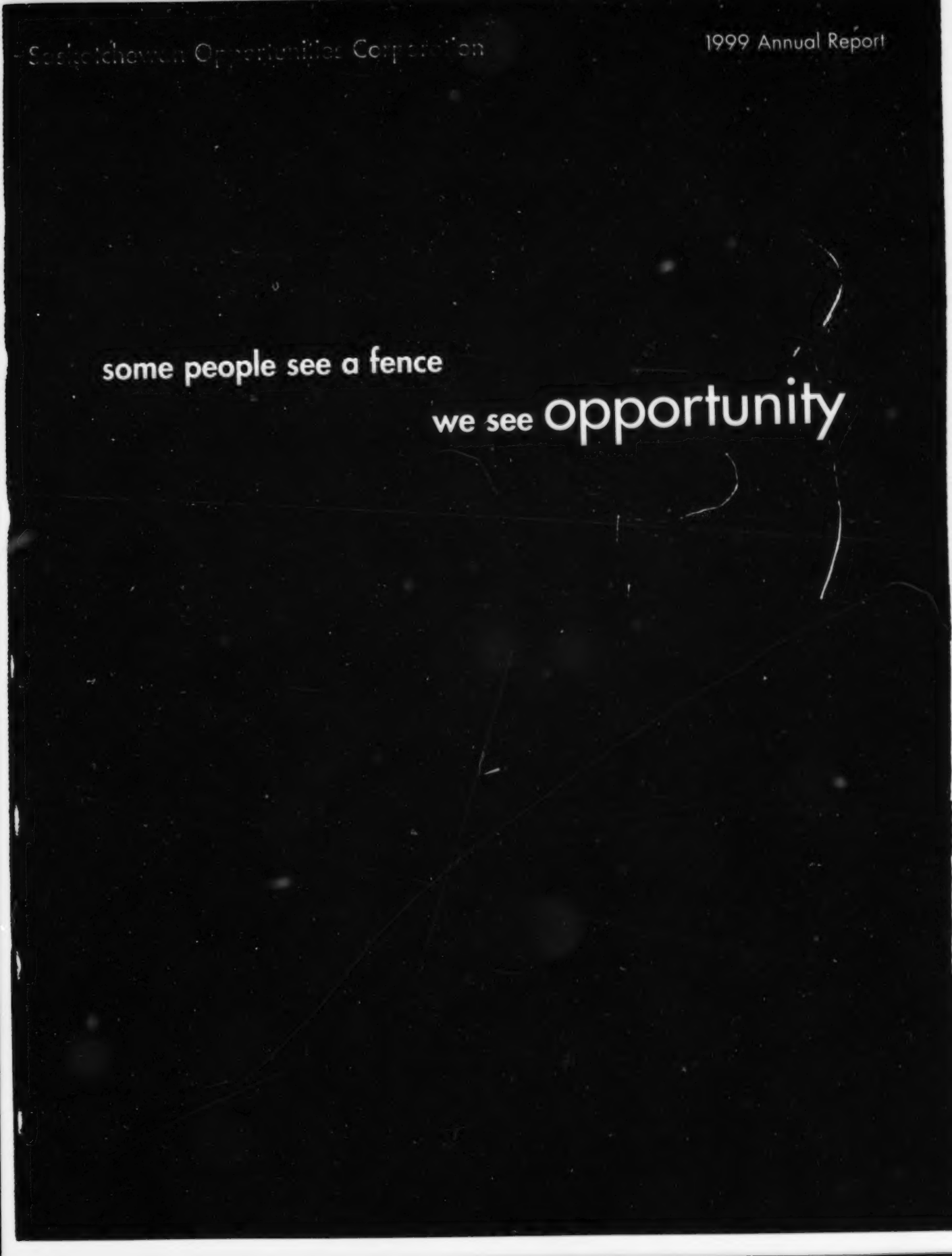
Saskatchewan Opportunities Corporation

1999 Annual Report



1999 Highlights

- SOCO invested in **16 businesses** and disbursed a total of $12.1 million.
- Commitments to **invest in 10** additional projects, which have been approved but not yet disbursed, total $4.6 million.
- The total estimated value of projects invested in and committed to in 1999 is **$81.8 million.**
- SOCO's investments and commitments in 1999 will result in companies creating and sustaining **192 jobs.**
- SOCO's investment portfolio **earned revenues** of $1.86 million.
- Construction of the first two buildings in the Regina Research Park began in 1999 with occupancy in 2000. Once occupied, the buildings will house **350 staff.**
- At Innovation Place in Saskatoon, **one new building** was opened, one expansion was completed and construction has begun on another new building.
- The 102 tenants at Innovation Place employed approximately 2,000 people and generated roughly **$217 million in economic activity** in Saskatchewan.

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Letter of Transmittal

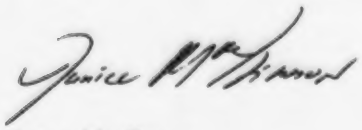
March 2000

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Dear Madam:

I have the honour to submit the Annual Report of the Saskatchewan Opportunities Corporation for the year ended December 31, 1999, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully Submitted



Janice MacKinnon
Minister Responsible
Saskatchewan Opportunities Corporation

Message from the Chair

The role the Saskatchewan Opportunities Corporation (SOCO) plays within the Saskatchewan economy is twofold — to invest in companies so that they may contribute to economic growth in Saskatchewan and to develop infrastructure for economic growth such as research parks. SOCO was able to successfully fulfil both aspects of that role in 1999.

On the research park side of the corporation, at Innovation Place in Saskatoon, strong growth continued with the completion of one building and the start of construction on another. The number of tenants grew to 102, with approximately 2,000 people working at the park during the year.

In Regina at the new Regina Research Park, 1999 saw the beginning of construction of two buildings, the Petroleum Technology Research Centre and 10 Research Drive, which will be commissioned during the summer of 2000. About 350 employees are expected to work in these facilities.

On the investment side, SOCO has invested $36.9 million in 61 businesses since its inception in 1994. A total of 1,707 jobs have been created and sustained by these businesses.

SOCO is well positioned to enter the next century, having developed a solid foundation of knowledgeable staff and an excellent relationship with the business and research communities. Instrumental to the development of this solid foundation has been the wisdom, guidance and direction provided by the board of directors and for that I thank them. The management and staff are also to be commended for their professionalism and dedication. I look forward to working with the board and staff as we strive to contribute to further economic growth in the province.

Janice MacKinnon
Chair of the Board

Report from the President

The fundamental rationale for SOCO is to support net economic growth through investment and the provision of infrastructure in a prudent and cost-effective manner. SOCO's investment mandate was designed to address gaps in the availability of investment capital for business start-ups and expansions. Since the research park and infrastructure mandate came to SOCO, we have endeavoured to provide specialized facilities to support the growth of Saskatchewan business.

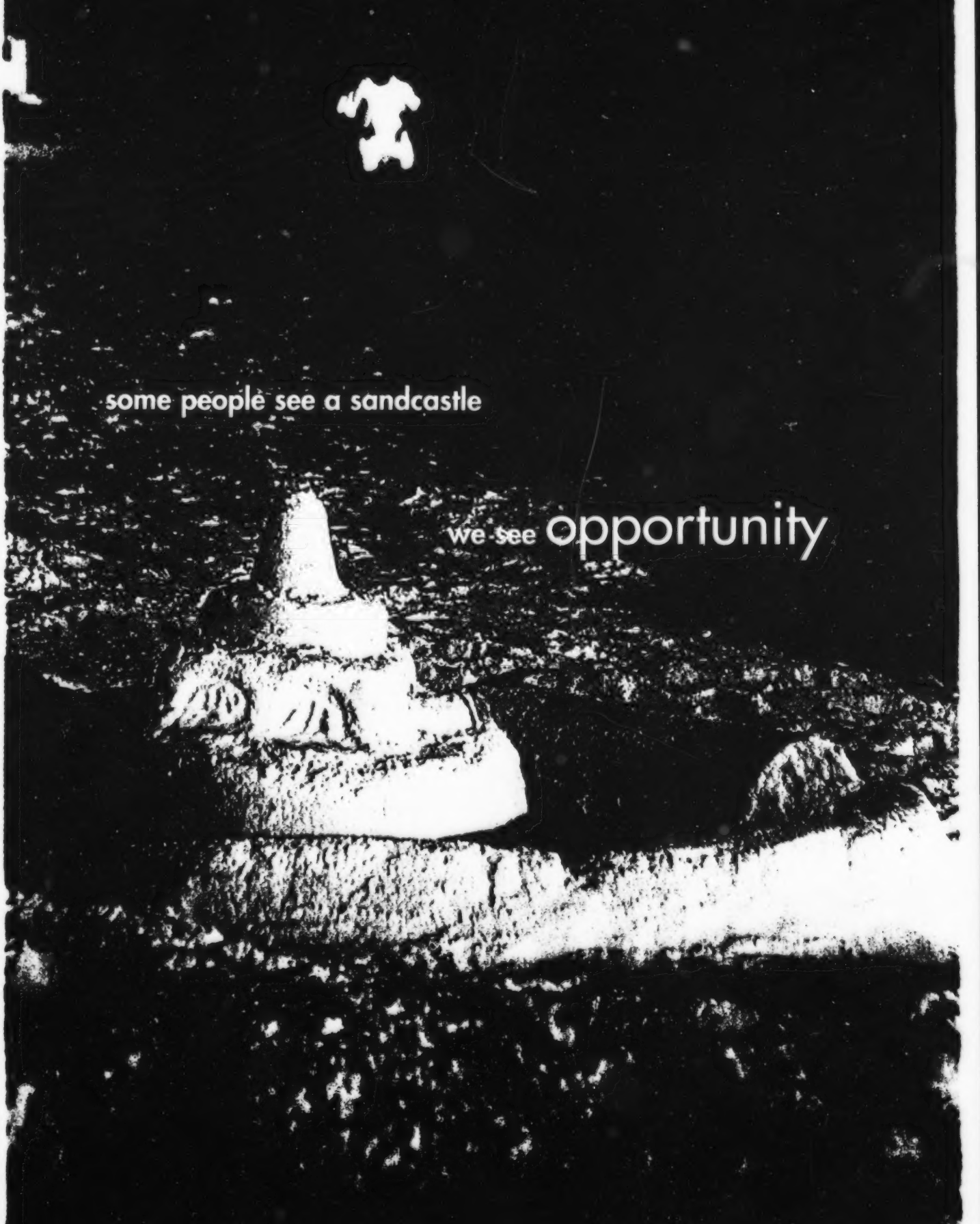
Since inception, businesses in which SOCO has invested have created or sustained 1,707 jobs. Since SOCO took over Innovation Place, tenant employment levels have grown from about 1,400 to approximately 2,000. The new Regina Research Park facilities are expected to house 350 employees once fully occupied.

It is relatively easy to see the impacts of our efforts. What is more difficult to judge is whether we have carried out our mandate in a prudent and cost-effective manner. I offer the following as evidence that we have done so:

- Net returns on investment averaged 8.1% since inception in 1994.
- Revenues from operations have increased to $11.9 million.
- Estimated direct returns to the provincial treasury during 1999 were $14.5 million in taxes.
- Cost to the province for research park and investment activities averages $5.1 million per year.
- Total value of projects supported since 1994 is $162.3 million.
- Actual credit losses to December 31, 1999 – $50,223.

While the methods used to measure our costs and benefits are imprecise, there is no doubt that revenues to the provincial treasury exceed the costs, and that SOCO activities generate considerable growth and net economic benefit for the people of Saskatchewan. I commend those who have contributed to our success, especially the staff, whose support and dedication deserve special recognition. Thank you. Your work makes an important difference.

Zach Douglas
President and Chief Executive Officer


some people see a sandcastle
we see opportunity

Developing Investment Opportunities

Investing in Saskatchewan Companies

SOCO invests in viable companies that can lead to job creation and the development of a healthy, diversified economy.

Several criteria must be met before SOCO decides to make an investment. There must be a return on SOCO's investment. The project should support job creation and overall economic growth. Community support for the project is also considered.

SOCO's investment focus is on opportunities that provide in-province value-added manufacturing and processing, with emphasis on export-oriented and import-replacement projects. The corporation refrains from investing in projects that compete with existing provincial businesses for limited local markets.

SOCO targets six key economic sectors that have been identified as showing the greatest growth potential for Saskatchewan. These include value-added agriculture, forestry, tourism and cultural industries, mining, energy and advanced technology.

Jobs Created and Sustained

This chart indicates the cumulative number of jobs created and sustained as a result of SOCO's investment.

Babco Industrial did too!

1999 Key Investment Portfolio Indicators

- Investments made in 16 companies.
- Disbursed $12.1 million in 12 new client companies and expansions of four existing clients.
- Leveraged total project investment of $69.3 million.
- Investments not yet disbursed at year end totalled $4.6 million in 10 projects.
- Investments and commitments will result in companies creating and sustaining 192 jobs.
- Earned revenues of $1.86 million.

Status of Annual Investments

This chart indicates the number of projects that received either investment funding or a commitment for funding from SOCO.

Babco Industrial has been producing ladle nozzle sand for IPSCO's plants in Regina and Iowa since 1996. SOCO investment — $125,000.

some people see a rock and a hard place
we see opportunity

1994-1999 Key Investment Portfolio Indicators

- Invested $36.9 million in 61 client businesses.
- Total value of $162.3 million in project investment when the contributions of other investors are taken into account.
- Investments resulted in companies creating and sustaining 1,707 jobs.

In addition to its head office in Regina and branch office at Saskatoon, SOCO now has a part-time Investments Office at Innovation Place. Establishing a presence at Innovation Place provides greater access to venture capital to both existing and potential new tenants. The Investments Office is located in the Network Centre in the Concourse Building. This presence has resulted in four Innovation Place tenants becoming investment clients.

Bellator Exploration did too!

Some of SOCO's investments made during the year include:

QCC Communications – a Saskatoon-based advanced networking and communication technology development and engineering company.

Bellator Exploration Inc. – involved in the exploration and development of oil and gas in the Tangleflags area of west-central Saskatchewan, east of Lloydminster.

Gar-Lyn Valley Dairy – a goat milk and cheese processing plant near Saskatoon.

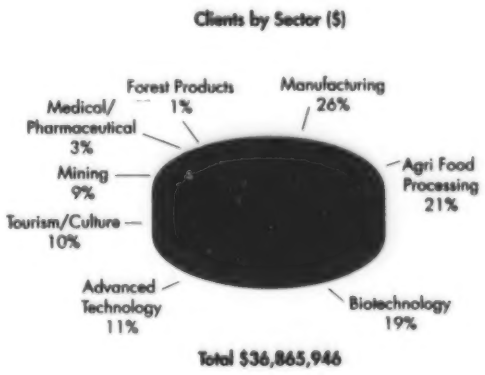
SOCO provided additional financing to several existing clients to allow them to take advantage of the opportunity to expand their businesses, including:

Ag Growth Industries – parent company of agricultural manufacturing firms including Batco Manufacturing Ltd. of Swift Current and Wheatheart Hydrostatic and Machine Ltd. of Saskatoon.

Failure Prevention Services – a Watson company that manufactures stainless steel filters that can be cleaned and reused, and distributes water removal filters.

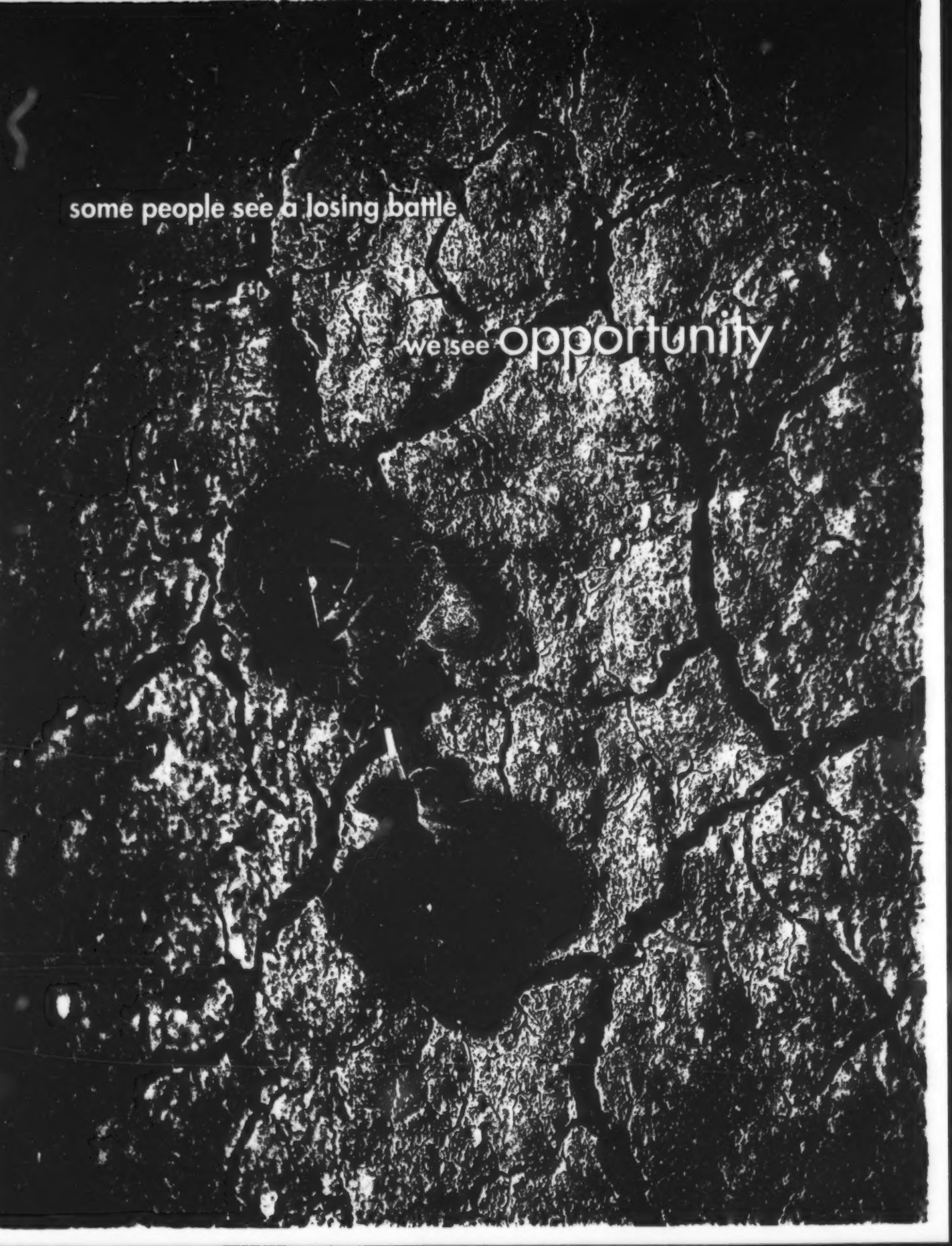
Big Sky Pork Inc. – construction of a new 2,500-sow facility near Preeceville.

During 1999, several client accounts were resolved. Investments in Batco Manufacturing Ltd., Groupe Limagrain and The Edge Productions were all paid back in full. In all, 18 investments totalling $8.9 million have been fully repaid since SOCO was formed in 1994.



This chart represents the dollar value of investments by sector, as a percentage of SOCO's total portfolio.

Bellator Exploration is producing oil and gas in the Tangleflags area near Lloydminster. SOCO investment — $2 million.


some people see a losing battle
we see opportunity

Developing Research Opportunities

SOCO encourages and promotes economic growth in Saskatchewan by developing and operating research parks. It invests in the specialized infrastructure companies need to conduct research and development. Companies then lease the space on commercial terms. Tenants in a research park benefit from the collaborative working relationship that often develops between research colleagues in tenant organizations.

Innovation Place, Saskatoon

A world-renowned research and development park, Innovation Place is home to approximately 2,000 employees and injects about $217 million into the Saskatchewan economy annually. It consists of 22 buildings — 17 lab/office/greenhouse facilities with a total area of almost one million square feet and five adjacent institutions. One quarter of the square footage has been developed since 1995 to meet increased tenant demand.

Performance Plants did too!

May 3 — the Concourse Building officially opened at 116 Research Drive. It has an innovative design with features such as lights that automatically shut off in unoccupied areas, ventilation that automatically turns on when air quality needs refreshing, and fibre optic cabling to provide tenants with high-speed, multi-media communications.

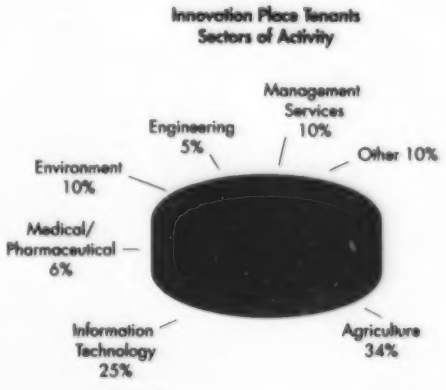
July 1 — Innovation Place began operation of its Bioprocessing Centre to service the needs of the expanding extraction, nutraceutical and food processing industries.

November 1 — Construction began on a $7-million multi-tenant building at 421 Downey Road to meet continued demand from the Agriculture sector.

New tenants at Innovation Place in 1999 include:

- Western Beef Development Centre, TAIGA BioActives Inc. and Svalof Weibull Ltd. in the Agriculture sector;
- Analog Design Automation, Inner Matrix Technologies and World Xchange Communications Ltd. in the Information Technology sector; and
- K-3 Kensulting and Hodgins & Company Management Consultants Inc. in the Management Services sector.

Existing tenants who expanded their space include: agricultural firms like SunWest Food Labs, Performance Plants, BASF and Limagrain; information technology firms like Axon, ADS, SaskTel and Profit Systems; and medical research firms such as PharmaDerm and BIO-ID Diagnostics Inc.



Performance Plants is genetically enhancing plants to adapt to adverse growing conditions. SOCO investment — $1 million.

Regina Research Park

Building on 20 years' experience with Innovation Place, the Regina Research Park is positioned to become a major symbol of the knowledge-based economy in Regina. Its 110-acre site has two existing buildings, two currently under construction and two more in the preliminary planning stage.

Existing buildings located within the park are the ISM Information Systems Management Corp. building and 2 Research Drive, a multi-tenant facility. Several businesses are now resident within the park including Digital Media Works, TRLabs, McNair Business Development, Mitura Economic Research, Insyt Management and ISM.

10 Research Drive

Currently under construction, this is the largest building on site at 105,000 square feet. It will feature state-of-the-art innovative building design consistent with standards established by Innovation Place. The most dramatic feature of this building will be a 5,000-square-foot open common area in the centre, linking two office wings.

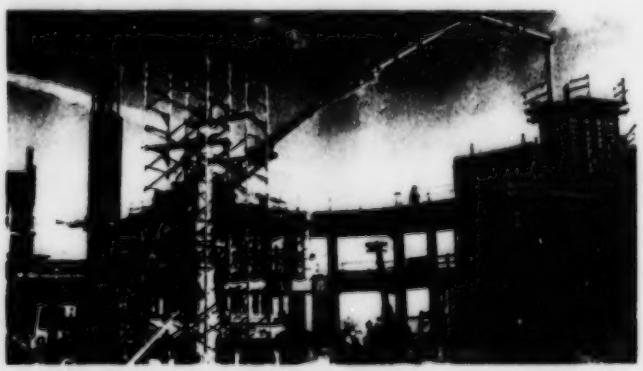
Approximately 165 jobs were created when construction began in June 1999. Occupancy begins in June 2000 when businesses in the information technology and data mining sector become tenants. When full, the building will accommodate up to 300 staff.

Petroleum Technology Research Centre

Also under construction at 6 Research Drive is the Petroleum Technology Research Centre (PTRC). The facility will feature laboratory research and large-scale experimentation in oil recovery and processing. The unique library wing provides an interesting architectural element — curved glass walls — near the building's front entrance.

The $11-million centre will focus on research to enhance the production and value of Saskatchewan's oil resources. Partners include Natural Resources Canada, Saskatchewan Energy and Mines, Saskatchewan Research Council and the University of Regina.

The 60,000-square-foot multi-storey office/lab building will house 50 researchers and staff when it opens and that number is expected to grow to 100 during the next few years. There were approximately 100 jobs created during the construction period.



At year end, construction was underway at 10 Research Drive at the Regina Research Park. Photo courtesy of Mark Greschner

Portfolio Summary

INVESTMENTS AS AT DECEMBER 31, 1999

Projects	Description	Amount	Type
Ag Growth Industries Inc. **Calgary, AB**	Parent company of agricultural machinery manufacturing firms in Saskatchewan.	250,000	Equity
Agtech Processors Inc. **Regina, SK**	Processes, packages and markets specialty crops.	1,445,000	Loan
Arcas Group Inc. **Regina, SK**	Provides database research and marketing services.	250,000	Loan
Babco Industrial Corp. **Regina, SK**	Processes ladle nozzle sand and foam petroleum coke for melting scrap steel, and provides consulting services to refractory companies.	125,000	Loan
Bear Necessities Productions Inc. **Regina, SK**	Produced a television movie called ***Lyddie***.	450,000	Loan
Bellator Exploration Inc. **Calgary, AB**	Involved in the exploration and development of oil and gas in the Tangleflags area east of Lloydminster.	2,000,000	Loan
Big Sky Pork Inc. **Humboldt, Kelvington** **& Preeceville, SK**	Hog operations in Humboldt, Kelvington and Preeceville with a total of 7,500 sows.	500,000 1,500,000	Equity Loan
Birsay Livestock Limited **Partnership, Birsay, SK**	Expanded feed mill and hog operation to accommodate 1,200 sows.	700,000	Loan
Bregma International **Trading Co. Ltd., Saskatoon, SK**	Develops and manufactures biomaterials for bone reconstruction.	100,000	Equity
Carrot River Valley **Pork Producers** **Carrot River, SK**	Construction of a new 2,400-sow hog production facility.	1,000,000	Loan
Clifton Associates Ltd. **Regina, SK**	Develops engineering software for environmental management.	1,000,000	Loan
DEL-AIR Systems Ltd. **Humboldt, SK**	Manufactures and distributes ventilation systems for livestock operations.	691,250	Equity
Dumur Industries **White City, SK**	Manufactures stainless steel ventilation products and vehicle grilles.	200,000	Loan
Environmental Technologies **Equipment Corp., Saskatoon, SK**	Manufactures drift control attachments for turf maintenance equipment.	300,000	Loan
Failure Prevention Services **Watson, SK**	Manufactures and distributes stainless steel filtration products.	250,000 250,000	Equity Loan
Fashions by "MEE" Ltd. **Saskatoon, SK**	Manufactures snowboards and athletic clothing.	100,000	Loan
Fytokem Products Inc. **Saskatoon, SK**	Extracts ingredients from plants grown in northern Saskatchewan for an international market.	500,000 500,000	Loan Equity
Gar-Lyn Valley Dairy Inc. **Saskatoon, SK**	A goat milk and cheese processing plant.	55,000 50,000	Loan Equity
Heartland Motion Pictures Inc. **Regina, SK**	Produces films and videos.	95,000	Equity
Horizon Pork Producers **Dinsmore, SK**	Construction of a new 2,400-sow hog production facility.	1,000,000	Loan
International Road Dynamics Inc. **Saskatoon, SK**	Manufactures traffic control systems.	1,700,000	Loan
J.L. Sarsfield Inc. **Mossbank, SK**	Produces oriental noodles.	500,000	Loan

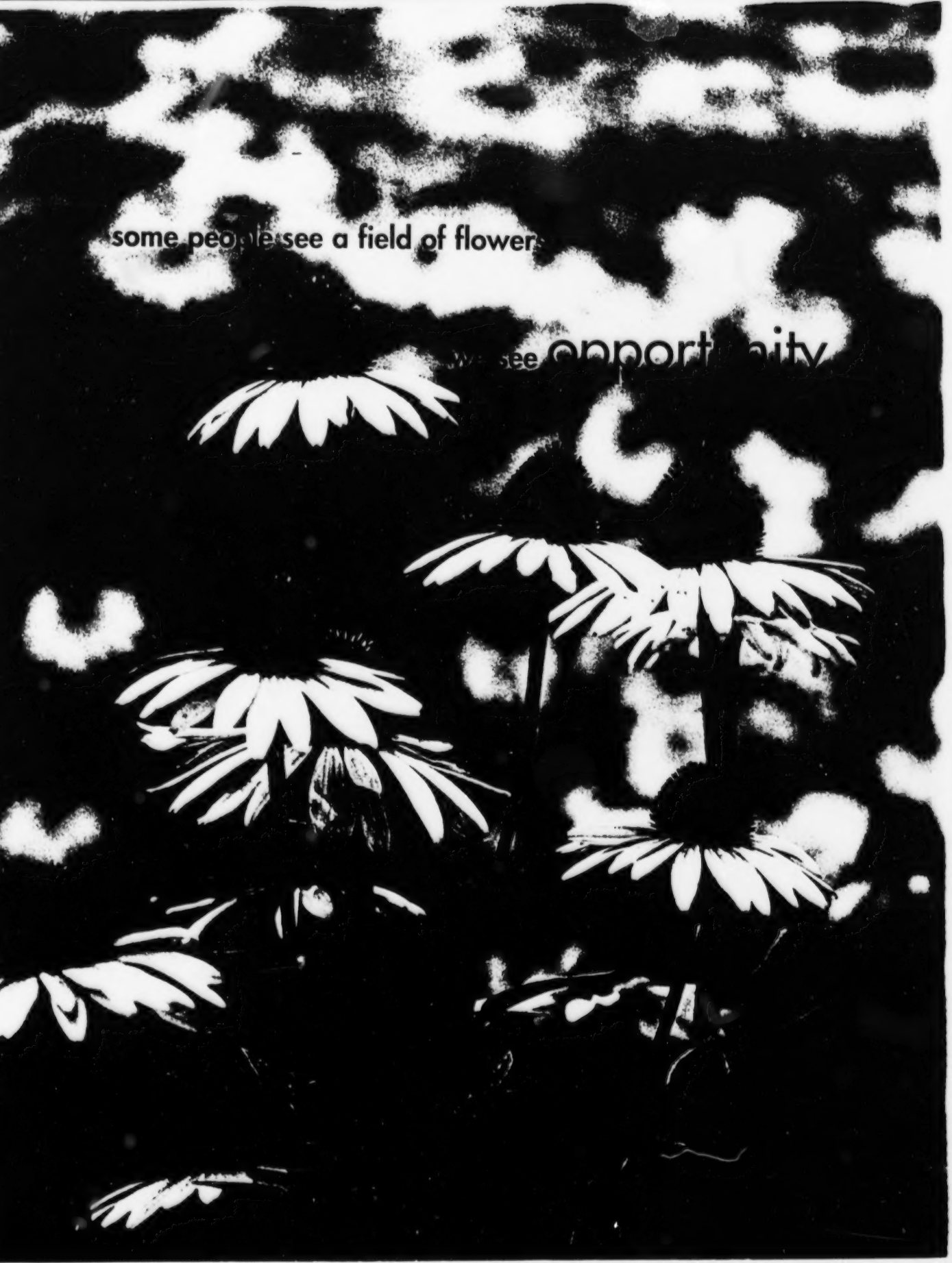
Projects (continued)	Description	Amount	Type
Kinsmen Big Valley Jamboree **Regina, SK**	Organizes and produces Saskatchewan music festivals.	152,094	Loan
Microgro Farm Ltd. **Biggar, SK**	Wholesale and research greenhouse.	250,000	Loan
Northern Pines Forest Products **Pierceland, SK**	Produces flooring, siding and components for stairways.	67,000	Loan
Northwest Pictures Inc. **Regina, SK**	Produced a movie called ***Decoy***.	350,000	Loan
Performance Plants Inc. **Saskatoon, SK**	A plant biotechnology company with world-class scientific expertise in plant metabolism and morphology (shape).	1,000,000	Equity
PhotoChannel Networks Inc. **Vancouver, BC**	Develops multi-media presentation software (formerly InMedia Presentations Inc.).	500,000	Loan
Popowich Milling Ltd. **Yorkton, SK**	Processes oats and oat products.	500,000	Loan
Potassium Sulphate Co. of Alsask Inc. **Alsask, SK**	Processes potassium sulphate for use in fertilizers.	1,056,000 208,000 40,000	Loan Equity Guarantee
Prairie Doves Inc. **Regina, SK**	Produced a movie called ***Painted Angels***.	400,000	Loan
Provincial Forest Products Ltd. **Prince Albert, SK**	Produces rough lumber and timber for an export market.	400,000	Loan
QCC Communications **Saskatoon, SK**	An advanced networking and communication technology development and engineering company.	200,000	Equity
Red Coat Pig Investors Group Ltd. **Saskatoon, SK**	Construction of a new 600-sow hog production facility.	250,000	Equity
Regina Motion Picture Video & Sound **Regina, SK**	Produces movies and feature films.	210,000	Equity
Revenge Productions Inc. /Dust Cloud Productions Inc. **Regina, SK**	Produced a television mini-series called ***Revenge of the Land***.	750,000	Loan
SCI-TEC Instruments Inc. **Saskatoon, SK**	Manufactures environmental monitoring equipment.	1,000,000	Equity
Shuttle Craft International Inc. **Saskatoon, SK**	Manufactures boats for use with personal watercraft.	1,250,000	Loan
Temple Gardens Mineral Spa Inc. **Moose Jaw, SK**	Mineral spa, hotel and resort complex.	700,000	Equity
The Edge Productions Corp. **Saskatoon, SK**	A film and video production company.	250,000	Loan
The Great Plains Moccasin Factory Inc., Saskatoon, SK	Manufactures leather products.	50,000	Guarantee
Unitec International Controls Corp. **Regina, SK**	Manufactures SCADA (supervisory control and data acquisition) systems and environmental monitoring equipment.	2,000,000	Loan
WeekEnder Tours Inc. **Saskatoon, SK**	Tour operator promoting Saskatchewan vacation packages.	125,000	Loan
Wise Owl Herb Co. Ltd. **Unity, SK**	Processes and markets Echinacea products.	200,000	Loan
York Medical Inc. **Toronto, ON**	Tests and commercializes diagnostic and pharmaceutical technologies.	500,000	Equity
Total Projects		**$27,919,344**	

Accounts Resolved	Description	Amount	Type
Batco Manufacturing Ltd. Swift Current, SK	Manufactures belt conveyors for specialty crops.	250,000	Loan
Bep's Flower Shops Inc. Swift Current, SK	Manufactures jams, jellies and beverages.	38,252	Loan
Blue Line Pine Mfg. Ltd. Candle Lake, SK	Manufactures and distributes jack pine shakes and shingles.	17,624	Loan
Capital "I" Industries Inc. Tisdale, SK	Manufactures attachments for motor graders.	15,409	Loan
Groupe Limagrain Saskatoon, SK	Conducts canola research and development and markets seed.	6,000,000	Equity
Harvest Industries Inc. Regina, SK	Manufactured sleeping bags and blankets with recycled materials.	124,777	Loan
Microgro International Research Inc., Biggar, SK	Wholesale and research greenhouse.	100,000	Guarantee
Midwestern Marketing Ltd. Saskatoon, SK	Manufactures curling products and industrial brooms.	42,500	Guarantee
Prairie Systems and Equipment Ltd. Saskatoon, SK	Manufactures equipment for use in weighing devices.	150,204	Loan
Recknell Custom Steel Fabricators Saskatoon, SK	Manufactures automated feeding systems.	400,000	Loan
Regina Motion Picture Video & Sound, Regina, SK	Produces movies and feature films.	121,231	Loan
Royer's Trucking Ltd. Maple Creek, SK	Sawmill and greenhouse production facilities.	28,353	Loan
RRR Environmental Services Ltd. Regina, SK	Oil recycling facility that converts used oil to diesel fuel.	300,000	Loan
Sinnett Pork Farm Ltd. Leroy, SK	Construction of a new 1,200-sow hog operation.	250,000	Equity
SLS Manufacturers Inc. Yorkton, SK	Manufactures electronic hydraulic valves for use in agricultural equipment.	15,000	Loan
The Edge Productions (SaskFilm) Saskatoon, SK	Production of a television movie called ***Family Blessings***.	50,000	Loan
UFR Urban Forest Recyclers Inc. Swift Current, SK	Manufactures egg flats and fruit trays from recycled paper.	43,252	Loan
WaterGroup Companies Inc. Regina, SK	Manufactures water conditioning products and pumps.	1,000,000	Loan
Total Accounts Resolved		**$8,946,602**	
Subtotal		**$36,865,946**	

Accounts Written Off	Description	Amount	Type
Harvest Industries Inc. Regina, SK	Manufactured sleeping bags and blankets with recycled materials.	50,223	Loan
Total of all Accounts		**$36,916,169**	

Total Saskatchewan value of projects supported by SOCO exceeds $162,000,000.

Total number of jobs supported by SOCO's investments includes 1,707 created and sustained, 49 part-time, 682 temporary and 1,976 film extras.


some people see a field of flowers
see opportunity

Developing Community Involvement

Supporting the community

SOCO works in partnership with several business organizations that stimulate economic growth and development. During the year, the corporation sponsored several events that have the goal of developing a spirit of entrepreneurship and business development, such as:

- Annual meetings of the Saskatchewan Chamber of Commerce, the Saskatchewan Nutraceutical Network and Tourism Saskatchewan;
- Saskatchewan Economic Developers Association's Venture Capital Conference, the Saskatchewan Chamber of Commerce's Youth Business Institute, Saskatoon & District Chamber of Commerce's 20/20 Vision Conference, the Regina Chamber of Commerce's Small Business Week, the Williston Basin Horizontal Well Workshop, and Canadian Western Agribition; and

Wise Owl Herbs **did too!**

- Award and recognition events that celebrate excellence in business including Patron of the Saskatchewan Chamber of Commerce Awards for Business Excellence (ABEX), Saskatoon and District Chamber of Commerce SABEX (Saskatoon Achievement in Business Excellence) Awards, the Yorkton Chamber of Commerce *Celebrate Success* Awards and the Regina Chamber of Commerce President's Ball.

The corporation targeted key business sectors by participating in several trade shows and events such as:

- Canadian Western Agribition;
- Saskatchewan Trade and Export Partnership (STEP) Annual General Meeting;
- Business expos in Regina and Saskatoon; and
- Western Canada Farm Progress Show.

SOCO showed its support for other community and charitable events including sponsorships of the Terry Fox Corporate Challenge, Chili for Children, Women of the Dawn Inc. First Nations Awards and the Kids Help Foundation. Innovation Place was a sponsor of the Federation of Saskatchewan Indian Nations (FSIN) Science Camp for school children held at the University of Saskatchewan.

Wise Owl Herbs is now processing echinacea and other herb extracts for export. SOCO investment — $200,000.

The people who work at SOCO demonstrated again in 1999 their personal commitment to various community events. During the year funds were raised for worthy causes such as:

- the United Way in Regina and Saskatoon;
- the Salvation Army's 'Adopt-a-Family at Christmas';
- Terry Fox Corporate Challenge (challenged by STEP); and
- Cameco Jingle Bell Run and the Joints in Motion Marathon for arthritis research.

Innovation Place again acted as the host site for the Saskatchewan Abilities Council's 24-Hour Relay for Easter Seals.

Valuing Our Human Resources

SOCO conducted its first-ever employee satisfaction survey at the end of 1998 with a view to using it as an annual performance measurement tool. To move the survey to a different business cycle for completion in the first half of each year, the next survey will be completed early in 2000.

At year end, the corporation had a total of 66 staff members broken down as follows:

Corporate Administration	13
Investments Division	12
Research Parks Division	41

Striving for Equity and Diversity in our Workforce

SOCO is committed to equity in its employment practices and diversity in its workforce. The corporation has adopted several strategies to improve our diversity.

One new strategy was the establishment of scholarships at both Saskatchewan universities for commerce and business administration students of aboriginal ancestry. During the year, the corporation awarded a $2,500 scholarship to each of the following students:

- Bobby Kayseas of Fishing Lake, a fourth-year Business Administration student at the University of Regina;
- Karen Woodward of Lestock, a third-year College of Commerce student at the University of Saskatchewan.

Corporate Overview

The Saskatchewan Opportunities Corporation (SOCO) makes loan and equity investments in export-oriented and import-replacement businesses and those that result in manufacturing and value-added processing in Saskatchewan. SOCO syndicates its investments with other investment agencies wherever possible. It also develops and operates research parks.

Governing Legislation

The Saskatchewan Opportunities Corporation Act outlines SOCO's purpose and operating authority. The corporation's object and powers are summarized as follows:

Object

The object and purpose of the corporation is to create, encourage and facilitate business opportunities in Saskatchewan by providing financial assistance, management services, counselling and training, information and advice and any other services, including the development and operation of research and development parks, that the corporation considers will further the purposes of this Act.

Powers

The corporation may:

- make loans to any corporation, organization, firm or business that conducts or proposes to conduct business in Saskatchewan;
- guarantee the indebtedness of any corporation, organization, firm or business that conducts or proposes to conduct business in Saskatchewan;
- participate in joint ventures with any corporation, organization, firm or business conducting or proposing to conduct business in Saskatchewan;
- form, manage, promote, supervise, control, operate or participate in an investment fund or pool developed for the purpose of investing in a corporation, organization, firm or business conducting or proposing to conduct business in Saskatchewan;
- buy, invest in, underwrite or acquire and hold shares and debentures for any corporation, organization, firm or business that conducts or proposes to conduct business in Saskatchewan;
- engage in any capital construction project that it considers necessary, incidental or conducive to meeting its purposes or to exercising its powers.

Mandate

Within its legislated powers, the SOCO Board of Directors has approved the following mandate:

The Saskatchewan Opportunities Corporation's mandate is to facilitate economic growth in Saskatchewan through investment in viable businesses and in infrastructure which supports the development of business.

Governance and Compensation Committee

In December of 1998, the Board of Directors approved the establishment of a Governance and Compensation Committee of the board. The Governance and Compensation Committee works with the shareholder to continuously improve corporate governance in the Saskatchewan Opportunities Corporation. The committee is an advisor to the board and is responsible for reporting and recommending corporate governance practices. During 1999, the board also adopted a Directors' Code of Conduct.

Shareholder's Strategic Direction

When SOCO was established in 1994, it was set up as a Crown corporation and as such it takes its strategic direction from Crown Investments Corporation (CIC), the holding company for provincial Crown corporations and the 'shareholder.'

During 1999, CIC developed a strategic plan to guide the development of all corporations in the Crown sector; corporations were urged to adopt the five strategic goals to guide their own business plans. These strategic goals are as follows:

Customer: Exceed customer expectations for products and services.

Financial Health: Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector.

Mandate & Role: Incorporate the Crown sector's mission into each corporation's mandate and role. Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments.

Public Purpose: Contribute to social, economic and environmental public policies of the Government of Saskatchewan, including: economic diversification and growth; representative workforces; skills training and development; technical innovation and development; and environmental responsibility and stewardship.

Human Resources: Align human resources processes and practices to best deal with emerging sector-wide issues and to support achievement of individual Crown corporation strategies.

All of CIC's strategic goals for the Crown sector have been integrated into SOCO's plans and operations and are reflected in SOCO's Balanced Scorecard. Our mandate and corporate goals are directed towards fulfilling the shareholder's public policy mandate for economic development with financial results a very important but secondary concern.

Management Discussion & Analysis

Financial Review

The core business activities of the Saskatchewan Opportunities Corporation centre on two operating divisions: the Research Parks Division, which develops and operates research parks and attracts business to the province; and the Investments Division, which provides loans, equity and guarantees to Saskatchewan businesses.

During 1999, SOCO increased both the size and scope of its development and investment activities and made substantial progress in its mandate to encourage economic growth in Saskatchewan. Investment in capital assets for research parks was significant during 1999, totalling over $22 million. New investments totalled over $10.7 million in 1999.

Including the contributions from the General Revenue Fund (GRF), the Investments Division showed very positive financial results in 1999. Research Parks Division operating results were below expectations due to a lower than expected allocation from the GRF and lower than anticipated occupancy rates. The Net Income achieved for each division was $1.75 million and –$1.4 million, respectively.

Capital Investment and Financing

Investment in new capital assets at the Regina Research Park during the year totalled over $14 million reflecting the construction in progress on the Petroleum Technology Research Centre (PTRC) and 10 Research Drive. During 1999, the Atrium expansion and the Concourse Building at 116 Research Drive were completed at Innovation Place. As well, construction started on a new building, 421 Downey Road. During 1999, SOCO also acquired the assets of an existing building, the Bioprocessing Centre, at Innovation Place. This facility was in operation during the final quarter of 1999 and is anticipated to have a positive impact on Innovation Place revenues.

The size of the investment portfolio increased by $7.5 million in 1999. This increase is even more significant given the level of repayments of $3.2 million during the year.

Prior to 1997, all of SOCO's capital expenditures and investment activities were financed through short-term advances from the GRF. Since that time, $85 million in short-term debt has been converted to long-term debt in an effort to mitigate the financial impact of future interest rate fluctuations on Innovation Place. Management has taken advantage of the low interest rate environment, but will continue to seek opportunities to secure long-term debt at favourable rates.

Financial Condition

Since its inception in 1994, SOCO has received no equity advances. The corporation has relied on debt financing to acquire and expand its research park development at Innovation Place and the Regina Research Park and support its investment activities. As a result, operating grants from the GRF are necessary to finance the operations of the corporation.

The retained earnings of the corporation have been built from judicious management of revenues and expenses, as well as a prudent approach to investment activities to limit any actual investment losses. A significant portion of retained earnings has been appropriated for future potential investment losses.

Risk Factors

The risks facing the corporation fall into three categories: credit and investment, rental property vacancy rates and interest rates.

Credit and Investment Risk

Credit risk is inherent in lending and investment activities. SOCO is exposed to the types of credit risk that are typical for any lending institution. However, the risk spectrum in which SOCO operates tends to be higher than that of the banking sector or other traditional financing institutions. This is, in part, because the corporation has an economic development mandate that involves supporting start-up operations, new companies' products and services at the commercialization stage and expansions. SOCO also makes equity investments, which, by definition, carry a higher risk. SOCO's risk spectrum would be comparable to private venture capital.

SOCO has taken precautionary steps to make reasonable provision for losses. As the corporation's portfolio grows and matures, the size of the provision for investment losses has been increased. In addition, a reserve will help to absorb future potential losses in recognition of the higher credit risk.

Rental Property Vacancy Risk

Rental risk is inherent in the property management business. The majority of costs at Innovation Place relate to fixed costs, such as amortization, property taxes and interest expenses. The operating results of SOCO's research parks depend to a large extent on the level of occupancy achieved. The critical risk factor related to Innovation Place is that tenants would leave upon expiry of their lease and not be replaced. The critical risk for the Regina Research Park is the same. However, given the historically high occupancy rates and the current leases and letters of intent for space at Innovation Place and the Regina Research Park, management does not consider this to be a significant risk for the foreseeable future.

Interest Rate Risk

Most of SOCO's interest-bearing investments have interest rates that fluctuate with bank prime rates and therefore match the short-term nature of our Investments Division debt. In an effort to mitigate some of the interest rate risk for Innovation Place, approximately $85 million in short-term debt has been converted to longer terms. At the end of the 1999 fiscal year, there was only $17 million of short-term debt outstanding related to Innovation Place.

A rapid and dramatic rise in interest rates could have an impact on the Research Parks Division's operating results, because increased interest costs cannot be passed along to tenants immediately or in their entirety. Management is taking advantage of the low interest rate environment at year end and will secure additional longer-term debt for Innovation Place and the Regina Research Park when market conditions are favourable. Management continues to closely monitor interest rates and market conditions.

Impact of the Year 2000 on the Corporation's Computer Systems and Equipment

The corporation did not experience any problems surrounding the Year 2000 (Y2K) date transition. SOCO took a very proactive approach to preparing for the Year 2000 in all aspects of its operations.

Assessments were completed on all systems at Innovation Place as well as all SOCO offices. Based on the reviews carried out, the corporation determined that it needed to modify or replace portions of its software and equipment so that its computers and other mechanical systems would properly use dates beyond December 31, 1999.

The corporation sent letters to all of its significant suppliers and clients to determine the extent to which the corporation was exposed to third party failure to deal with Year 2000 issues.

The cost of resolving the Y2K problem was not material. The costs were capitalized or expensed depending on the nature of the item.

Management's Responsibility for Financial Statements

The accompanying financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with generally accepted accounting principles and necessarily include some amounts based on informed judgment and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

The corporation's independent auditors, Hill McKillop, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the auditor's report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The board of directors has reviewed and approved these financial statements. To assist the board in meeting its responsibility, it has appointed an audit committee consisting solely of outside directors. The committee meets periodically with management and is available to review internal accounting controls, audit results and accounting principles and practices.

On behalf of management,

Zach Douglas
President and Chief Executive Officer

Glenda Bruce
Director, Finance and Administration

Auditor's Report

To the Members of the Legislative Assembly, Province of Saskatchewan:

We have audited the statement of financial position of the Saskatchewan Opportunities Corporation as at December 31, 1999, and the statements of operations and retained earnings and cash flows for the year then ended. The financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants
February 15, 2000
Regina, Saskatchewan

Statement of Financial Position as at December 31 ($ thousands)

Assets	1999	1998
Cash and Short-Term Investments	$ 1,393	$ 4,523
Accounts Receivable and Prepaid Expenses	3,852	2,842
Fixed Income Investment	—	2,303
Investments (Note 2)	18,773	13,375
Capital Assets (Note 4)	105,528	85,780
	$129,546	$108,823
Liabilities and Province's Equity		
Accounts Payable and Accrued Liabilities	$ 6,026	$ 3,296
Notes Payable – Short-Term (Note 5)	34,393	41,090
Long-Term Debt Payable (Note 5)	84,149	59,790
	$124,568	$104,176
Province of Saskatchewan's Equity		
Retained Earnings		
– Unappropriated	$ 1,662	$ 1,941
– Appropriated (Note 6)	3,316	2,706
	$ 4,978	$ 4,647
	$129,546	$108,823

(See Accompanying Notes)

(See Commitments and Contingencies – Note 3)

On behalf of the Board

Trent Beatty, Director

Naomi Levi, Director

Statement of Operations and Retained Earnings

for the Year Ended December 31 ($ thousands)

Revenue (Note 7)	**1999**	**1998**
Research Parks	$ 10,007	$ 8,557
Investments	1,862	1,425
Operating Contribution – General Revenue Fund	4,085	3,596
Investment Contribution – General Revenue Fund	2,664	1,072
	$ 18,618	$ 14,650
Expenses		
Operating and Administration	$ 3,539	$ 3,135
Interest (Note 5)	4,487	3,510
Research Parks	5,392	4,071
Amortization	2,815	1,963
Charge for Investment Impairment	2,054	1,263
	$ 18,287	$ 13,942
Net Income	$ 331	$ 708
Retained Earnings:		
Unappropriated, Beginning of Year	1,941	1,042
Change in Appropriated Retained Earnings (Note 6)	(610)	191
Retained Earnings, Unappropriated, End of Year	$ 1,662	$ 1,941

(See Accompanying Notes)

Statement of Cash Flows

for the Year Ended December 31 ($ thousands)

Operating Activities	**1999**	**1998**
Net Income	$ 331	$ 708
Add (deduct) non-cash items:		
Amortization	2,815	1,963
Charge for Investment Impairment	2,054	1,263
Net Change in Non-cash Balances (Note 8)	1,720	533
Cash Provided by Operating Activities	$ 6,920	$ 4,467
Investing Activities		
Investment in Capital Assets	$ (22,563)	$ (15,049)
Increase in Investments	(7,452)	(754)
Fixed Income Investments	2,303	(131)
Cash Used in Investing Activities	$ (27,712)	$ (15,934)
Financing Activities		
Net Change in Notes Payable and Long-Term Debt (Note 5)	$ 17,662	$ 14,649
Increase (Decrease) in Cash Position for the Year	$ (3,130)	$ 3,182
Cash and Short-Term Investments, Beginning of Year	4,523	1,341
Cash and Short-Term Investments, End of Year	$ 1,393	$ 4,523

(See Accompanying Notes)

Notes to the Financial Statements

DECEMBER 31, 1999

Saskatchewan Opportunities Corporation (SOCO) was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force on August 15, 1994. SOCO is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

SOCO's mandate is to facilitate economic growth in Saskatchewan through investment in viable businesses and in infrastructure which supports the development of business.

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. The following accounting policies are considered to be significant:

a) Investments

Loans and equity investments are recorded at cost, and valued in accordance with the policies outlined below. The same valuation method is used for both loan and equity (share) investments due to the similar terms and conditions required by SOCO as conditions of investment.

The fixed income investment is recorded at cost plus accrued interest. Cash is reclassified to cash held for guarantees when SOCO is committed to a loan guarantee made to third parties.

b) Provision for Investment Impairment

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The more subjective of such estimates is the Provision for Investment Impairment. Management believes its estimates to be appropriate, however, actual results could differ materially from the amounts estimated.

A provision for impaired (doubtful) investments is established in order to reduce the recorded amount to their estimated net realizable value. An investment is classified as impaired when there is no longer reasonable assurance that the outstanding investment and applicable interest will be recovered in full. The corporation records a charge based on management's regular review of individual investments. The estimated net realizable amount represents management's best estimate of the current value of future payments it will receive on each investment. When management cannot reasonably determine the investment's future cash flows, estimates are based on the current market value of the investment's security, net of expected selling costs.

c) Capital Assets

Capital Assets (Note 4) are recorded at cost and include direct development costs and interest capitalized during construction. Rental assets consist of buildings at Innovation Place and the Regina Research Park, as well as related site improvement costs, tenant improvements, furniture and equipment. Buildings and site improvement costs are amortized over the estimated useful life of the particular asset, with a 20% residual value. Tenant improvements are amortized on a straight-line basis over the term of the associated lease (five to 10 years). Furniture and equipment are amortized on a straight-line basis over five years. Office equipment, furniture and leasehold improvements are assets used by the corporation in its own offices. The assets are amortized on a straight-line basis over periods ranging from three to five years. Construction in progress consists of buildings and tenant improvements currently under development. Buildings under construction are converted to rental assets at the earliest of one year after substantial completion or upon attaining 50% occupancy.

d) Revenue Recognition

All revenue is recognized based on the corporation's right to revenue pursuant to contracts with customers, tenants and clients using the accrual basis of accounting. Dividends are recorded by the corporation when receivable. Loans are classified as Non-Performing when management believes the receipt of future interest revenue is unlikely. No revenue is recognized on loans classified as non-performing. Due to the fluctuations in market value, the corporation only recognizes gains on shares when they are redeemed.

e) Operating Contributions

Operating Contributions are provided by the General Revenue Fund (GRF) to cover the budgeted costs of corporate administration and operations of the Investments and Research Parks Divisions. These contributions are recognized as revenues when they are due to the corporation.

f) Investment Contribution

Investment Contribution is provided by the GRF to cover potential losses. It is calculated at 25% of disbursements advanced during the period to fund potential losses. The investment contribution is recognized as revenue when disbursements are made or when the corporation is committed to a guarantee. The investment contribution relates to the Charge for Investment Impairment as recorded in the Statement of Operations. Retained earnings in an amount equal to the investment contribution less the charge for investment impairment is separately identified as Appropriated Retained Earnings (Note 6).

1. ACCOUNTING POLICIES continued

g) Fair Value

Due to their short-term nature, the carrying values of accounts receivable, accounts payable and accrued liabilities and the fixed income investment approximate their fair values. The estimated net realizable value of investments shown in Note 2 approximates their fair value.

2. INVESTMENTS ($ Thousands)

	1999	1998
Equity Investments	$ 5,753	$ 6,027
Loans Receivable	18,024	10,348
Cash Held for Guarantees	90	90
Total	$23,867	$16,465
Less Total Provision for Investment Impairment	(5,094)	(3,090)
	$18,773	$13,375

Included in Loans Receivable is $3,645 thousand (1998 – $119 thousand) of non-performing loans.

3. COMMITMENTS AND CONTINGENCIES

At December 31, 1999, SOCO was committed to provide $8.15 million (1998 – $13.2 million) of investment capital to Saskatchewan businesses.

The estimated costs to complete projects under construction are approximately $13.6 million (1998 – $10.8 million).

Lease commitments with respect to SOCO's offices in Regina and Saskatoon total $431 thousand, $150 thousand annually (1998 – $542 thousand).

SOCO holds long-term land leases with both the University of Saskatchewan and the University of Regina for research park development. The actual lease payments are nominal.

Loan guarantees total $90 thousand (1998 – $90 thousand).

4. CAPITAL ASSETS ($ Thousands)

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Rental Assets	$ 87,974	$ 9,240	$ 78,734	$ 61,394
Office Equipment/Furniture & Leaseholds	1,163	652	511	381
Construction in Progress	26,283	—	26,283	24,005
	$115,420	$ 9,892	$105,528	$ 85,780

5. NOTES PAYABLE AND LONG-TERM DEBT PAYABLE ($ Thousands)

	1999				1998	
	Principal Outstanding	Maturity Date	Interest Rate	Sinking Fund Balance	Principal Outstanding	Interest Rate
GRF – Short-Term	$ 34,393	Mar. 31/2000	5.02%	$ —	$ 13,525	4.95%
					27,565	5.06%
– Long-Term	20,000	May 28/2008	5.50%	438	19,790	5.50%
	40,000	June 2/2008	5.50%	413	40,000	5.50%
	25,000	June 17/2019	5.50%	—	—	—
	$119,393			$ 851	$100,880	

Short-term notes from the GRF bear interest at rates established on a quarterly basis by the Department of Finance.

The long-term debt issues carry associated sinking funds equal to 1% of the principal payable annually. Long-term debt on the balance sheet is reported at its net amount (i.e. less the sinking fund balance).

5. NOTES PAYABLE AND LONG-TERM DEBT PAYABLE ($ Thousands) continued

Fair Value

The fair value of the notes payable and long-term debt payable approximates their net present value at December 31, 1999, of $111.1 million (1998 – $101.9 million).

Interest Expense

Interest expense consists of the following:

		1999	1998
GRF – Short-Term	$ 1,562		
– Long-Term	4,100	$ 5,662	$ 4,858
Bank of Nova Scotia		—	37
Interest Capitalized		(962)	(1,079)
Interest Income		(213)	(306)
		$ 4,487	$ 3,510

Interest paid during the year was $5.3 million.

6. APPROPRIATED RETAINED EARNINGS ($ Thousands)

Amounts received from the GRF as investment contributions in excess of the charge in the current period for impaired investments are appropriated for potential investment losses, if any, that may be recognized in the future. In 1999, the Investment Contributions received from the GRF exceeded the charge for investment impairment.

	1999	1998
Opening Balance	$ 2,706	$ 2,897
Investment Contribution	2,664	1,072
Charge for Investment Impairment	(2,054)	(1,263)
Ending Balance	$ 3,316	$ 2,706

7. SEGMENTED FINANCIAL INFORMATION ($ Thousands)

The Investments Business Unit includes all investment activities plus an allocation of corporate administration expenses and operating grants.

The Research Parks Business Unit includes Innovation Place, the Regina Research Park and other infrastructure development, plus an allocation of corporate administration expenses and operating grants.

	Investments Business Unit	Research Parks Business Unit	1999 Total	1998 Total
Revenue				
Research Parks	$ —	$10,007	$10,007	$ 8,557
Investments	1,862	—	1,862	1,425
Operating Contribution	1,484	2,601	4,085	3,596
Investment Contribution	2,664	—	2,664	1,072
	$ 6,010	$ 12,608	$ 18,618	$ 14,650
Expenses				
Operating and Administration	$ 1,560	$ 1,979	$ 3,539	$ 3,135
Interest	531	3,956	4,487	3,510
Research Parks	—	5,392	5,392	4,071
Amortization	112	2,703	2,815	1,963
Charge for Investment Impairment	2,054	—	2,054	1,263
	$ 4,257	$ 14,030	$ 18,287	$ 13,942
Net Income	$ 1,753	$ (1,422)	$ 331	$ 708

8. NET CHANGE IN NON-CASH BALANCES ($ Thousands)

	1999	1998
Cash Provided by (applied to):		
Accounts Receivable and Prepaid Expenses	$(1,010)	$ (338)
Accounts Payable and Accrued Liability	2,730	871
	$ 1,720	$ 533

9. INTEREST RATE RISK ($ Thousands)

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. Changes in interest rates on financial assets and liabilities with variable rates have a direct impact on earnings.

The corporation's estimated exposure to interest rate risk is significant. Management will continue to seek opportunities to convert short-term debt to longer terms in an effort to mitigate this risk. As well, management has made an effort to match variable rate assets and liabilities.

Type of Investment	Interest Rate Range	Repricing Within 1 Year	Repricing in 1 to 5 Years	No Specified Maturity Date
Fixed Rate	9.50-15.00%	$ 19	$ 3,283	$ 2,000
Variable Rate	8.00-15.00%	7,339	—	—
Participating	—	216	3,385	3,930
Non-Performing	—	—	—	3,645
		$ 7,574	**$ 6,668**	**$ 9,575**

These investments are financed with loans from the GRF as described in Note 5.

10. RELATED PARTY TRANSACTIONS ($ Thousands)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered "related party" transactions.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. These transactions and amounts outstanding at year end are as follows:

Category (as per financial statements)	1999	1998
Accounts Receivable	$ 894	$ 547
Accounts Payable	430	353
Research Park Revenue – SRC* 2,124		
– Other 1,292	3,416	4,057
Operating Expenses	6,886	5,648

Accounts Payable includes interest payable to the GRF of $331 thousand.

In addition, the corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. Other amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

*Saskatchewan Research Council

11. CONFLICT OF INTEREST RULES

SOCO's legislation and other Saskatchewan legislation, along with SOCO corporate policy, establish requirements for SOCO directors, officers and employees to disclose any interest they have which may create a conflict of interest or the appearance of a conflict of interest and, if appropriate, to absent themselves from discussion and approval of business transactions.

12. PENSION PLAN

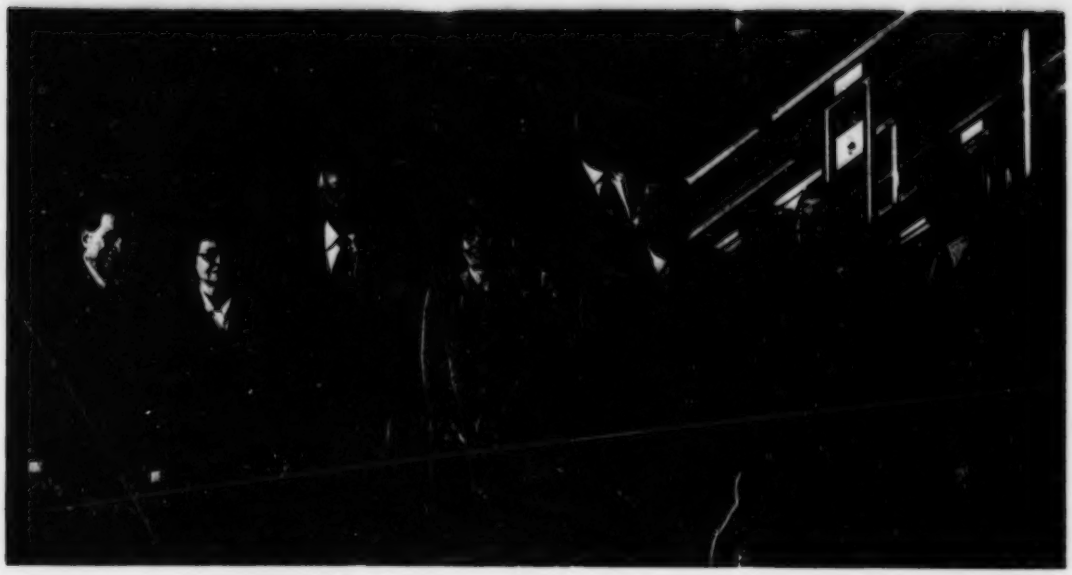
All employees are members of the Capital Pension Plan, a defined contribution plan administered by CIC. SOCO's financial obligation is limited to making regular payments to match contributions by the employees for current services.

13. YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the corporation, including those related to customers, suppliers or other third parties, have been fully resolved.

The corporation has not experienced any adverse effects as a result of the change in date.

Board of Directors



Left to Right:

Honourable Keith Goulet, *Vice Chair*

Nancy Redekop

John Penner

Honourable Janice MacKinnon, *Chair*

Trent Beatty, *Chair of Audit Committee*

Dr. Dennis Johnson, *Chair of Governance Committee*

Naomie Seib

Dianne Olchowski

Jeff Grubb

Senior Management Team

Zach Douglas, *President and Chief Executive Officer*

Douglas Tastad, *Vice President, Research Parks*

Trent Bobinski, *Director, Investments (Saskatoon)*

Glenda Bruce, *Director, Finance and Administration*

Irene Rau, *Director, Corporate Affairs*

Vern Rourke, *Director, Investments (Regina)*